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Report Highlights:

Disincentives to production are restricting food and feed grain output below potential. Strong import programs will be needed to maintain consumption and provide raw materials for the livestock and poultry industries.

Includes PSD Changes: No
Includes Trade Matrix: No
Annual Report
Caracas [VE1]
[VE]

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Executive Summary

In accordance with their "Food Sovereignty Policy," the Bolivarian Republic of Venezuela (BRV) announced plans to increase domestic production, but significant imports of basic feed and food grains will be needed to maintain consumption in the coming year and beyond. Lower world grain prices will open up trade opportunities, and the United States is well positioned to take advantage of some of them. Post expects trade to continue, based on domestic food demand, and an expanding livestock sector's need for feedstuffs.

WHEAT

- Venezuela is heavily dependent on wheat imports for domestic flour milling.
- Consistent with the growth in the economy and confirmed by industry sources, wheat consumption in Venezuela has been increasing in the last three years.
- Per capita consumption is in the order of 56 kilos per year.
- For 2009, Post estimates total wheat imports to increase slightly to 1,600,000 MT since wheat products are important in the country's diet and price controls keep these products within the reach of most citizens.

Production

Wheat production in Venezuela is negligible. Only a small amount of wheat for local consumption is produced in the western part of the country.

The Venezuelan Pasta Association has reported that pasta is a main staple for Venezuelans, with yearly per capita consumption just over 13 kilograms per person. Venezuela is the 7th largest pasta producer of the world, and 88 percent of pasta is made out of 100 percent durum wheat. There are 17 pasta plants which produce 350,000 metric tons of pasta per year (85 percent of installed capacity) under 34 brands.

According to a recent government resolution, 70 percent of pasta elaborated by any company, and the industry as a whole, should be price regulated, and the remaining 30 percent can be premium pasta. By selling the premium product, the industry has been able to recover from losses resulting in the production of regulated, or below market price, pastas. Now, the situation will be tighter.

Last year, the government issued a resolution requiring pasta be made out of wheat and other domestic cereals (30 percent of corn and rice) mixes. However this measure has not been fully implemented, since there is not enough of these additional components available in the market to use. This requirement also contradicts other government resolutions that control the use and distribution of these crops. Despite this situation some millers have been complying with the regulations and adjusted their equipment to make some regulated pasta which is distributed only through the government network of food stores.

Consumption

Total wheat consumption in 2008 was 1,490,000 MT. Total wheat consumption is forecast to increase around three percent in 2009 to 1,575,000 MT since pasta and bread constitute preferred foods, low-cost basic staples of the Venezuelan diet, and a good alternate protein source for low income Venezuelans.

Pasta remains a preferred staple in the Venezuelan diet, and pasta consumption continues to be one of the highest in the world. Pasta occupies third place among the most consumed

food products in Venezuela. The government is an important pasta distributor of through their Mercal and PDVAL food networks, which represents about 40 percent of the market.

Trade

Venezuela imports wheat mostly from United States and Canada, and recently has imported some wheat flour from Argentina. Importers had been facing some problems due to rising international prices and the limitations on the access to foreign exchange from the Exchange Control Commission, CADIVI. Further, price regulations that have been in place for nearly four years have reduced profits. The delays in obtaining the approval for dollars from CADIVI continue being a problem for importers, sometimes impeding timely liquidation of payments to suppliers.

According to the Wheat Millers Association, Asotrigio, Venezuela imports around 1,500,000 MT of wheat per year, from which 55 percent goes to the bread sector, 30 percent to the pasta industry and 20 percent to cookies and the packed flour sector. The industry handles four varieties of wheat: high protein (about 800 thousand tons/year) for bread; a mix (about 180 thousand tons/year) for bakeries and flour; soft (about 145 thousand tons/year) for cookies; and durum (about 480 thousand tons/year) for pastas.

RICE

- Post has estimated a fall in rough rice production for 2009 to 736,000 MT.
- For the second year, rice production in the country is in deficit due to an increase in consumption and unofficial trade of domestic rice through the border.
- Imports from the United States have covered this deficit. Imports during MY 2008 were reported at 314,000 MT, the largest rice imports ever reported into Venezuela.
- Imports, likely paddy rice from the U.S., will occur in MY 2009, but Post forecasts a lower quantity of 150,000 MT due to current large rice inventories and economic conditions which could slow consumption growth.

Production

According to producers and industry sources, area harvested for rice in 2009 is forecast to fall to about 165,000 to 160,000 hectares as economic conditions become more uncertain. Producers claim that farm gate prices are too low, and the government subsidy to rice producers that ended last December 2008 has not yet been renewed.

Despite last year's production increase, there is still a rice deficit. Total rough production in 2008 was 796,000 MT. Post forecast production of rough rice in 2009 to fall to 736,000 MT due to unclear production policies, and the low controlled price of the processed rice. Production growth has been affected by costs and controlled and frozen prices for several years.

Venezuela's leading millers claim that they are working at under fifty percent of their installed capacity due to shortages of the domestically produced rice and because they cannot import rice directly; the government is the largest importer. Some of them process and pack a percentage of imported rice for government food networks.

Consumption

There is a rice deficit due to increased in consumption. Consumption has been variable, but generally growing in the last eight years. According to Asovema (National Rice Millers Association) consumption between 2001 and 2008 increased 48 percent, but domestic production has not meet the increasing demand. The increase in consumption has outpaced output in 2008.

Rice is a traditional food and an important staple in the Venezuelan diet. Per capita consumption has increased in the last years due to an official policy of low controlled final product prices. Consumption is expected to continue increasing in 2009 to 600,000 MT since the government has large stocks of imported rice.

Stocks

The amount of regulated rice on the market has been diminishing progressively since November 2007. According to supermarket representatives, the supply of rice is currently under 30 percent of demand. About 80 percent of the rice that is in the market is parboiled or flavored rice, and only 20 percent is of white. There is a distortion in the market due to the regulated prices.

Inventories of paddy rice in the government silos are very high at about 270,000 MT, corresponding to three months of consumption since the government has been importing huge rice quantities in the last year to build the agricultural food reserve. Post has estimated 263,000 MT of stocks for year 2008 and forecast the same amount for 2009 since the silos remain full and there are intentions of continued strong purchases this year.

Prices

As mentioned previously, in April 2008 the Government reviewed both farm-gate and processed rice prices after four years of being frozen, resulting in an increase of 44 percent and 30 percent respectively, however the price increase did not corresponded to that requested by producers and the industry. The imbalance between producer and consumer price increases also meant that millers could not fully pass on price increases to consumers.

Since then rice prices have not been adjusted and this situation has brought a distortion in the domestic market resulting in considerable losses for the industry and shortages of regulated product in the market, and more recently actions of the Bolivarian Government against processing industries, compelling them to produce only plain white table rice at controlled prices. The current cost of production of one kilogram of rice is Bs. 4.41 (US \$ 2.05) and the controlled retail price is Bs. 2.33 (US \$ 1.08), according to industry sources.

Trade

Venezuela had been self sufficient in rice production, exporting about ten percent of its rice crop annually, mostly to Colombia. However, since 2007 imports have increased to alleviate the internal deficit. By industry and producers recommendations the government started to import rice in 2008 in order to guarantee domestic rice supply. These were the first big rice imports in over fifteen years.

As per government statements imports have been done mainly through the government entity, Corporation CASA and by a subsidiary of the Venezuelan state oil company PDVSA called Bariven, coming mainly from the United States.

Imports during MY 2008 were reported at 314,000 MT, the largest rice import levels ever. Due to the current large rice inventories and economic conditions imports are forecast to decrease to 150,000 MT.

Some rice is usually exported, in part due to price exchange differences. For marketing year 2008-09, Post reports about 80,000 MT and the same quantity is forecast for 2009-10.

Marketing

It is expected that the Government will continue importing paddy rice through CASA or PDVSA mostly from the U.S. in order to comply with their food security policy.

CORN

- Based on information from the local industry, yellow corn imports to meet the shortfall and to supply the growing feed industry are expected to continue.
- Imports of yellow corn are estimated at 800,000 MT in 2008/09 and Post forecast total corn imports for 2009/10 to increase to 900,000 MT.
- Imports of white corn for 2009 may be needed as the domestic crop is estimated to be significantly lower than last year.
- Corn flour made out of domestic white corn is part of the Venezuelan basic diet.

Production

Corn is Venezuela's main crop by area; about 600,000 hectares were harvested in 2008. About 55 percent of corn produced in Venezuela is white corn for human consumption and the remainder is yellow corn for both, human consumption and feed manufacturing.

The relationship between white and yellow corn has been changing in the last two years due several reasons, among them: better yields and profitability of yellow corn, and also because yellow corn can be diverted to animal feed production. If this trend continues it could represent potential turmoil in the sector since white corn is not expected to fulfill domestic demand in 2009 and imports may be needed.

The white corn crop is traditionally purchased by the corn flour industry to produce precooked corn flour for a kind of corn bread called "arepas," which is part of the Venezuelan basic diet. Industry sources have indicated that there is a deficit of 350,000 tons of corn. Domestic white corn production will be approximately 1.1 million tons. This quantity will not cover the 2009 demand of the corn flour industry.

The Ministry of Agriculture estimated the harvest for 2008/09 at 2,400,000 MT however; industry and producers analysts are using a lower harvest figure of 2,000,000 MT, due to unfavorable weather conditions, high costs of production, and low farm gate prices and subsidies. Production for 2009/10 is estimated to increase to 2,200,000 MT since the scenario for rice producers is not good and many farmers may be shifting into the more profitable crop. Corn producers are getting a subsidy of 72 Bolivars per ton (about USD 33 per ton at the official exchange rate).

Consumption

White corn is milled to produce the precooked corn flour and it is used mostly for human consumption, while yellow corn is used for animal feed. Total consumption of corn flour has been increasing in response to declining real incomes; it is cheaper relative to other food products and there is sufficient availability through the government food networks, Mercal and PDVAL.

In the last year animal feed consumption has been based mostly on imported yellow corn. Feed consumption for 2008/09 is estimated to at 1.4 MMT and forecast to slightly increase to 1,450,000 MT in 2009/10 assuming that the procedures for expediting imports of food products which have insufficient or non domestic production continue, as has been the case for yellow corn.

Trade

The United States is the major yellow corn supplier to Venezuela. In the past imports were subjected to the prior purchase of the domestic sorghum and/or corn crops, but is not the case now, given the need to import. Import licenses procedures have been relaxed and those measures have favored purchases of feed components on the international market.

Shortages and scarcity have occurred in the market as a result of controlled prices, restrictions on imports, issuance of dollars, and other factors. In order to help maintain food availability last year, both, the Government and the feed industry reached an agreement to open trade allowing more fluidity in trade. The Government also extended the validity of phytosanitary permits for the importation of yellow corn, products, and sub products from three months to one year.

Imports will continue to meet the shortfall and to supply the growing feed industry. The feed industry estimates that imports of yellow corn could be about 800,000 MT in 2008/09. Based on information from the local industry, Post forecast total corn imports for 2009/10 to slightly increase to 900,000 MT. As previously noted, imports of white corn for 2009 may be needed as the crop is estimated to be significantly lower than last year.

Prices

The Government sets both farm-gate and consumer prices of corn and corn products, and these below-cost parameters distort the domestic market. The current farm gate price of corn is Bs. 728 per ton, and maximum retail price of corn flour was set at Bs. 2.07 per kilogram. These prices were last reviewed by the Government on April 2008, however according to producers and industry sources, the price increases were not sufficient to meet rising input costs.

Marketing

Traditionally Venezuelan feed manufacturers have preferred U.S. yellow corn over other origins. Currently, there are no restrictions for imports of dried distiller grains. The market is restoring the confidence on these types of products.

SORGHUM

- Domestic sorghum production entirely satisfies demand for this grain.
- Sorghum maintains a modest domestic production despite low yields.
- Production is estimated to be at 330,000 MT in 2008/09 and forecast to remain steady at 330,000 tons in 2009/10.

Production

Sorghum is an important crop for certain dry areas in the southern part of the country, especially in Guarico and Portuguesa States. Since 2005, the sorghum harvest has been affected by lower product prices, lack of incentives to producers and poor weather. However as a result of the last farm-gate price adjustment of April 2008 and some government incentives, area harvested in 2009 is expected to increase to 150,000 hectares and production is estimated to be at 330,000 MT. Production is estimated to remain steady at 330,000 tons in 2009/10.

Prices

The controlled price for conditioned sorghum was set by the Government at Bs. 547 per ton (USD 254). The sorghum price passed from Bs. 0,42 (\$ 0.19) to Bs. 0,55 (\$ 0.25) per kilogram. However, the Venezuelan Producers Association, which represents may grain farmers, was asking for a higher price adjustment to Bs. 0.72 per kilogram of sorghum, considering that the price has been frozen since 2004.

In addition to the farm-gate adjustment the Government conceded a subsidy of Bs. 0.065 per kilogram of sorghum (\$ 0.030) to producers of conditioned sorghum (12 per cent humidity and two percent dockage).

Consumption

Grain sorghum is mainly used for poultry and swine feed production in Venezuela. Sorghum feed consumption in 2008 was 295,000 MT and as a result of the government subsidy it is estimated to shift to 325,000 MT in 2009.

Trade

Venezuela is self-sufficient in sorghum production importing only sorghum seeds for planting mainly from the U.S. and Guatemala. The Venezuelan government has consistently opposed to sorghum imports and that policy is not expected to change in the near future.

PS&D TABLES:

Table 1: Wheat Supply and Demand

Wheat Venezuela	2007			2008			2009			
	2007/2008			2008/2009			2009/2010			
	Market Year Begin: Jul 2007			Market Year Begin: Jul 2008			Market Year Begin: Jul 2009			
	Annual Data Displayed		New Post	Annual Data Displayed		New Post	Annual Data Displayed		Jan	
			Data			Data			Data	
Area Harvested	0	0	0	0	0	0			0	(1000 HA)
Beginning Stocks	75	75	75	75	75	71			86	(1000 MT)
Production	0	0	0	0	0	0			0	(1000 MT)
MY Imports	1,498	1,600	1,496	1,650	1,650	1,600			1,600	(1000 MT)
TY Imports	1,498	1,600	1,496	1,650	1,650	1,600			1,600	(1000 MT)
TY Imp. from U.S.	920	0	920	0	0	960				(1000 MT)
Total Supply	1,573	1,675	1,571	1,725	1,725	1,671			1,686	(1000 MT)
MY Exports	10	10	10	10	0	10			10	(1000 MT)
TY Exports	10	10	10	10	0	10			10	(1000 MT)
Feed Consumption	0	0	0	0	0	0			0	(1000 MT)
FSI Consumption	1,488	1,590	1,490	1,640	1,635	1,575			1,585	(1000 MT)
Total Consumption	1,488	1,590	1,490	1,640	1,635	1,575			1,585	(1000 MT)
Ending Stocks	75	75	71	75	90	86			91	(1000 MT)
Total Distribution	1,573	1,675	1,571	1,725	1,725	1,671			1,686	(1000 MT)

Table 2. Rice Supply and Demand

Rice, Milled Venezuela	2007			2008			2009			
	2007/2008			2008/2009			2009/2010			
	Market Year Begin: Jan 2007			Market Year Begin: Jan 2008			Market Year Begin: Jan 2009			
	Annual Data Displayed		New Post	Annual Data Displayed		New Post	Annual Data Displayed		Jan	
			Data			Data			Data	
Area Harvested	170	170	170	165	165	160			160	(1000 HA)
Beginning Stocks	130	130	130	90	93	75			263	(1000 MT)
Milled Production	560	560	560	540	560	540			500	(1000 MT)
Rough Production	825	825	825	796	825	796			736	(1000 MT)
Milling Rate (.9999)	6,786	6,786	6,786	6,786	6,786	6,786			6,786	(1000 MT)
MY Imports	37	40	32	240	90	314			150	(1000 MT)
TY Imports	240	40	32	245	90	314			150	(1000 MT)
TY Imp. from U.S.	0	0	28	0	0	314			150	(1000 MT)
Total Supply	727	730	722	870	743	929			913	(1000 MT)
MY Exports	70	70	80	80	20	80			80	(1000 MT)
TY Exports	80	70	80	20	20	80			80	(1000 MT)
Total Consumption	567	567	567	580	594	586			600	(1000 MT)
Ending Stocks	90	93	75	210	129	263			263	(1000 MT)
Total Distribution	727	730	722	870	743	929			913	(1000 MT)

Table 3. Corn Supply and Demand

Corn Venezuela	2007			2008			2009			
	2007/2008			2008/2009			2009/2010			
	Market Year Begin: Oct 2007			Market Year Begin: Oct 2008			Market Year Begin: Oct 2009			
	Annual Data Displayed		New Post	Annual Data Displayed		New Post	Annual Data Displayed		Jan	
			Data			Data			Data	
Area Harvested	600	600	600	600	600	600			600	(1000 HA)
Beginning Stocks	292	108	292	292	143	295			195	(1000 MT)
Production	1,800	1,800	1,800	2,000	2,000	2,000			2,100	(1000 MT)
MY Imports	1,000	535	1,053	550	550	800			900	(1000 MT)
TY Imports	1,000	527	1,100	550	550	800			900	(1000 MT)
TY Imp. from U.S.	1,086	0	1,086	0	0	800			1,000	(1000 MT)
Total Supply	3,092	2,443	3,145	2,842	2,693	3,095			3,195	(1000 MT)
MY Exports	0	0		0	0					(1000 MT)
TY Exports	0	0		0	0					(1000 MT)
Feed Consumption	1,500	1,100	1,350	1,400	1,200	1,400			1,450	(1000 MT)
FSI Consumption	1,300	1,200	1,500	1,300	1,350	1,500			1,550	(1000 MT)
Total Consumption	2,800	2,300	2,850	2,700	2,550	2,900			3,000	(1000 MT)
Ending Stocks	292	143	295	142	143	195			195	(1000 MT)
Total Distribution	3,092	2,443	3,145	2,842	2,693	3,095			3,195	(1000 MT)

Table 4. Sorghum Supply and Demand

Sorghum Venezuela	2007			2008			2009			
	2007/2008			2008/2009			2009/2010			
	Market Year Begin: Oct 2007			Market Year Begin: Oct 2008			Market Year Begin: Oct 2009			
	Annual Data Displayed		New Post	Annual Data Displayed		New Post	Annual Data Displayed		Jan	
			Data			Data			Data	
Area Harvested	140	140	140	150	150	150			150	(1000 HA)
Beginning Stocks	36	41	36	36	36	36			36	(1000 MT)
Production	300	300	300	330	330	330			330	(1000 MT)
MY Imports	0	0	0	0	0	0			0	(1000 MT)
TY Imports	0	0	0	0	0	0			0	(1000 MT)
TY Imp. from U.S.	0	0	0	0	0	0			0	(1000 MT)
Total Supply	336	341	336	366	366	366			366	(1000 MT)
MY Exports	0	0	0	0	0	0			0	(1000 MT)
TY Exports	0	0	0	0	0	0			0	(1000 MT)
Feed Consumption	295	300	295	320	325	325			325	(1000 MT)
FSI Consumption	5	5	5	5	0	5			5	(1000 MT)
Total Consumption	300	305	300	325	325	330			330	(1000 MT)
Ending Stocks	36	36	36	41	41	36			36	(1000 MT)
Total Distribution	336	341	336	366	366	366			366	(1000 MT)